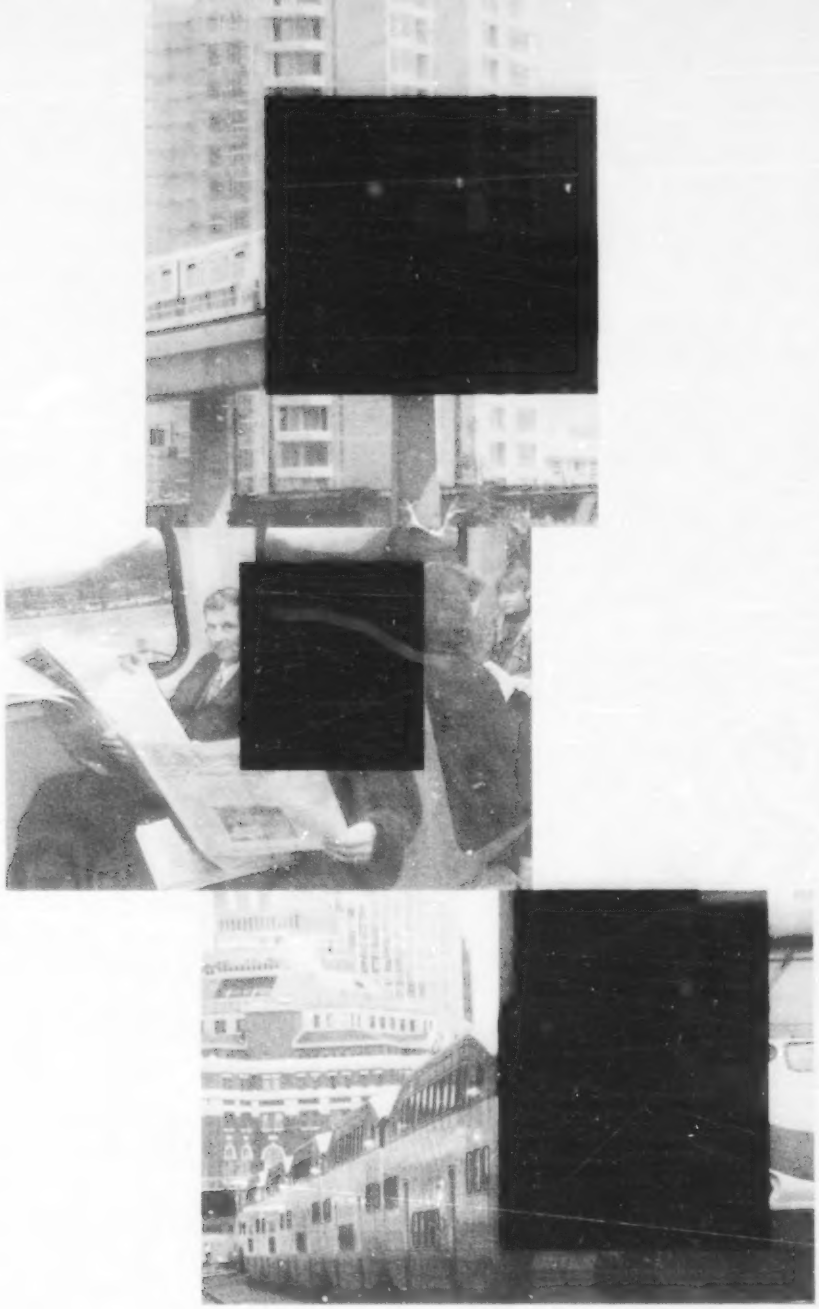

BC TRANSIT - CELEBRATING 20 YEARS OF PROGRESS

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LIEUTENANT-GOVERNOR IN COUNCIL

SIR:

IT IS MY PRIVILEGE TO FORWARD TO YOU THE 1998-99 FINANCIAL STATEMENTS AND ANNUAL REPORT OF BC TRANSIT.

YOURS SINCERELY,

THE HONOURABLE JENNY KWAN
MINISTER OF WOMEN'S EQUALITY
PROVINCE OF BRITISH COLUMBIA
VICTORIA, B.C.

HONOURABLE MINISTER:

I HAVE THE HONOUR TO TRANSMIT THE 1998-99 ANNUAL REPORT OF BC TRANSIT.

YOURS SINCERELY,

x5

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In 1979, the Urban Transit Authority, precursor to BC Transit, was formed by the Province of British Columbia to take public transit into the 21st century. On April 1, 1999, after nearly two decades as BC Transit, responsibility for transit in Greater Vancouver moved from the Province to the Greater Vancouver Transportation Authority (GVTA). Responsibility for transit in the Victoria region and municipal systems remains with BC Transit. To mark this historic development, the 1998-99 BC Transit annual report includes highlights of BC Transit's 20 years of progress.	
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Message from the Minister

I am pleased to present this review of BC Transit's accomplishments during the 1998/99 fiscal year.

For Vancouver Regional Transit, it was a year of preparing for transition. On April 1, 1999, responsibility for public transit service in the Lower Mainland was transferred from the Province of British Columbia to the Greater Vancouver Transportation Authority (GVTA), now called Translink. It is a move that will mean better service for transit customers and greater economic benefits for the Vancouver area.

Earlier in the year, the Provincial Government announced SkyTrain extension plans and the purchase of 60 additional cars. The new Crown company, Rapid Transit Project 2000, will be responsible for building the SkyTrain extension, and most of the new cars will be manufactured at a manufacturing centre to be built in Burnaby. The Province also signed a Memorandum of Understanding with Bombardier Transportation, which includes the commitment from Bombardier to build a research and development centre for advanced transit systems.

Another highlight of the year was government approval of bus priority legislation, requiring that motorists yield to a transit bus leaving a stop. The legislation is part of a series of measures to improve service quality planned by BC Transit and the GVTA in the interest of promoting public transit as an environmentally sustainable commuting option.

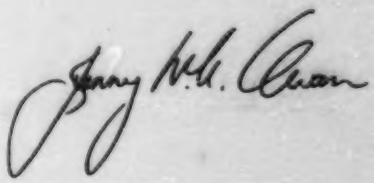
For the Victoria Regional Transit System, 1998/99 was a year of infrastructure expansion. The opening of the $7.5 million Langford Transit Centre, funded by BC Transit and the Canada-BC Infrastructure Works program, means that Victoria now has a second bus garage with the capacity for 160 buses. The completion of the Victoria downtown streets project provides a more transit, pedestrian

and bicycle-friendly Douglas Street. Another milestone was the approval of the University of Victoria and Camosun College U-PASS, a mandatory bus pass program that gives students unlimited transit use.

BC Transit's Municipal Systems Program, delivering transit services in 68 communities across the province, introduced new transit systems in the Clearwater, Hazeltons-Smithers, and Nelson-Playmor Junction areas and expansions to seven other systems. In total, thirty-seven fully accessible buses were added to the municipal systems fleet.

On behalf of the Government of the Province of British Columbia, I commend all BC Transit board members and employees who worked so diligently on the Lower Mainland transition, and I thank the BC Transit board and staff for their ongoing contributions to customer service, change and innovation in the various transit systems. As Minister Responsible for Transit, I look forward to continuing to work with Translink, the BC Transit board and staff, the Victoria Regional Transit Commission, and our municipal transit partners on improving service to all transit customers in British Columbia.

The Honourable Jenny Kwan
Minister Responsible for Transit



Message from the Chair

Since its inception, BC Transit has played an important role in the growth and development of the Province of British Columbia. As the 21st century rapidly approaches, public transit is increasingly important to the welfare of British Columbians. Under the direction of BC Transit, public transit systems throughout British Columbia have increased the ease, economy and efficiency of travel, and have had a positive effect on the environment, reducing the number of vehicles on the road.

Noteworthy, too, is BC Transit's commitment to valuing the diversity of its employees and customers. In the 1990s, policies and programs were introduced regarding valuing diversity (1993), prevention of harassment in the workplace (1994), multicultural outreach (1994) and attendance management (1998). In 1997, a joint union-management committee, created the Equal Opportunity Plan to assist BC Transit employees to move internally to non-traditional areas. In the 1998-99 fiscal year, BC Transit reached the milestone of more than 1,300 transit operator graduates of its five-day refresher course. This customer-service-oriented program addresses a variety of issues from dispute resolution and valuing diversity to accessible transit.

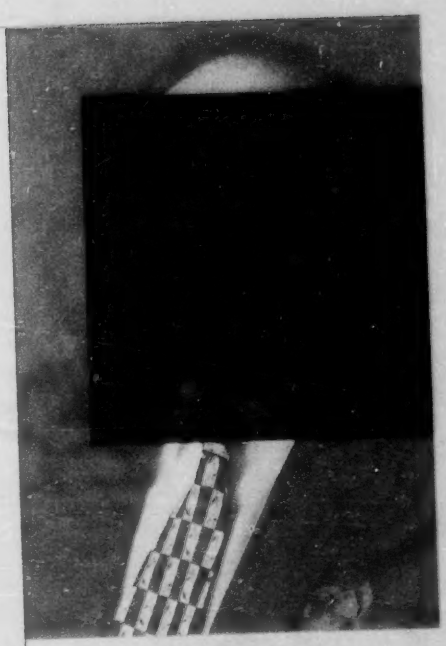
Through the collective efforts of its employees, BC Transit has developed into a multi-modal, integrated system. Significant service and information delivery improvements have been made, new routes added, environmentally friendly technologies introduced, and new fleet and facilities maintenance systems activated.

On behalf of the board of BC Transit, I would like to take this opportunity to acknowledge the accomplishments of all BC Transit's employees. Since the creation of BC Transit by the Province of British Columbia, public transit has blossomed in our cities, as well as in the smaller communities. The creation of

the Greater Vancouver Transportation Authority (GVTA) will continue to promote the development of the transit system in the Lower Mainland.

The past year has been a period of transition and I acknowledge and commend all BC Transit employees during this time of change. Notwithstanding the challenges of the transition process, they displayed a sustained commitment to quality service and an ongoing professionalism in their supporting roles. They worked unstintingly to fulfil BC Transit's mission "to excel in the provision of safe, reliable, cost-efficient and market-focused public transportation systems that support the social, economic and environmental goals of the customers and communities we serve."

I am honoured that I will continue as chair of BC Transit for Victoria and the Municipal Systems after April 1, 1999. I look forward with tremendous enthusiasm to pursuing our future goals together. I also express my sincerest appreciation and respect for all Greater Vancouver transit employees who will now work as part of the GVTA. You are a great group of people, and I wish you all the best in the coming years.



George A. Chen
Chair, BC Transit

Message from the President

On April 1, 1999, responsibility for public transit in the Greater Vancouver region will move from the Province of British Columbia to the Greater Vancouver Transportation Authority (GVTA), as negotiated by the Province and the Greater Vancouver Regional District (GVRD). This significant change in governance will help to ensure greater consistency between regional long and short-term strategic transportation goals and the availability of resources to meet them. BC Transit will continue to provide transit service in the Victoria region and the municipal systems.

Looking back two decades, BC Transit, then known as the Urban Transit Authority (UTA), took over responsibility for transit in Greater Vancouver and Greater Victoria. Under the UTA, province-wide transit policy was developed with local governments involved in the decision-making and funding of transit services for the first time. What followed was a major expansion of transit services throughout British Columbia.

A strong provincial public transit system has evolved over the years. Systems increased in size and customer services improved. BC Transit hired new employees and introduced advanced technologies. Highlights include the creation of the handyDART system (1980); the Victoria system's expansion into the Western Communities and Saanich Peninsula (1981), the delivery of new trolley buses (1983); the opening of SkyTrain (1986); the reorganization of bus routes to feed SkyTrain (1986-88); the introduction of accessible transit buses (1990); and the opening of West Coast Express (1995). In the Municipal Systems, service was expanded to serve 39 communities across the province.

On behalf of its employees, BC Transit received many well-deserved awards, including the Elizabeth H. Dole Silver Shield Award for excellence in traffic and passenger safety (Victoria Regional Transit System, 1991, 1992, 1993); the Safety Council's Award of Honour for one million hours without injury (SeaBus, 1992); the Premier Award for Best Integrated Transit System in the World from the International Centre for Cities on Water in Venice, Italy (BC Transit, 1993); and the Canadian Urban Transit Association's Transit System of the Year Award (Victoria, 1994;

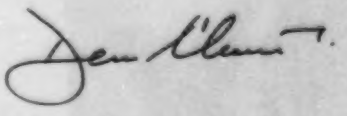
Vancouver, 1995). In 1996, BC Transit was rated number one among North American transit systems of its size by the American Public Transit Association, for demonstrating "extraordinary achievement, efficiency and effectiveness in its size category."

As we move into a new era for transit in British Columbia, I would like to express my greatest admiration to all BC Transit employees for their outstanding achievements. BC Transit has made impressive efforts to improve service for its customers. Especially noteworthy is the fact that in 1989, it was one of the first systems in Canada to make full commitment to wheelchair accessible transit and has worked toward that goal ever since.

More recently, state-of-the-art software was introduced to enable streamlined scheduling and customer information delivery in both Vancouver and Victoria. The result is that the Vancouver region call centre handled 23 per cent more calls in the 1998-99 fiscal year. BC Transit customers recently noted that the availability of transit information has improved significantly, with ratings currently registering their highest level since being tracked.

I am confident that the great strides made by BC Transit employees over the past two decades, will continue under the newly established governance structure. During this past year, a time of transition and change, their efforts were a reflection of their commitment to a proud heritage. I am proud and honoured to work with them.

Denis Clements
Acting President



Board of Directors

George A. Chen Chair
John Backhouse (to July 1998)
Graeme Bowbrick MLA, New Westminster
Judy Brownoff
Tom Kozar
Ragini Rankin
Joan Reichardt
Len Traboulay Mayor, Port Coquitlam

Corporate Officers

George A. Chen Chair

Denis Clements Acting President (from February 4, 1999)

Ron Drolet Acting General Manager, Victoria Regional Transit System and Municipal Systems Program

Brian Hollingshead Vice-President, Corporate Services & Corporate Secretary

Rick Krowchuk Vice-President, Finance and Chief Financial Officer

Also serving in the year under review:

Bob Lingwood President and Chief Executive Officer (August 31, 1998-February 3, 1999) General Manager, Victoria Regional Transit System and Municipal Systems Program (to August 30, 1998)

R. Blair Trousdell President and Chief Executive Officer (to August 7, 1998)

Executive Staff

Denis Clements Acting President, BC Transit, Vice-President, Vancouver Customer Services

Barry R. Corbett Vice-President, Human Resources

Ron Drolet Acting General Manager, Victoria Regional Transit System and Municipal Systems Program

Brian Hollingshead Vice-President, Corporate Services and Corporate Secretary

Rick Krowchuk Vice-President, Finance and Chief Financial Officer

Glen Leicester Executive Director, Strategic Planning

Chris Lythgo Vice-President, Technical Services

Michael Richard Acting President, B.C. Rapid Transit Company Ltd. (SkyTrain)
Operations Director, B.C. Rapid Transit (SkyTrain)

Jan Pezzaro President, West Coast Express

Also serving in the year under review:

R. Blair Trousdell President and Chief Executive Officer
(to August 7, 1998)

Bob Lingwood President and Chief Executive Officer
(August 31, 1998 – February 3, 1999)
General Manager, Victoria Regional Transit System and Municipal Systems Program
(to August 30, 1998)

Larry Ward President and Chief Executive Officer, BCRTC and Director, Transit Security
(to December 14, 1998)

BC Transit's Mission

To excel in the provision of safe, reliable, cost-efficient and market-focused public transportation systems that support the social, economic and environmental goals of the customers and communities we serve.

Corporate Mandate

BC Transit is the provincial Crown corporation responsible for urban transit systems in the Province of British Columbia.

The corporation's mandate includes planning, funding, constructing, marketing and operating, either directly or indirectly, the Vancouver and Victoria regional transit systems and local transit systems in designated communities throughout the province.

BC Transit supports the social, economic and environmental goals of the customers and communities that it serves.

BC Transit Strategic Objectives

Effective

1. In partnership with the transit commission and the municipal governments, we will provide leadership in the planning of effective public transit systems that responds to market and community needs.

Innovative

2. We will increase transit use through innovative and improved services and we will improve accessibility for seniors and persons with disabilities.

Efficient

3. We will make efficient use of our resources in order to maximize customer service and minimize subsidization.

Responsible

4. We will be recognized as a socially and environmentally responsible corporation.

Safe

5. We will ensure customer safety and security throughout our transit systems.

Equitable

6. We will achieve positive and equitable labour relations, recognizing the invaluable contribution and experience of our employees.

Cooperative

7. We will encourage the participation and cooperation of citizens, labour, business and government in providing excellence in public transportation.

Victoria Regional Transit Commission

The Victoria Regional Transit Commission is comprised of five locally elected mayors and two councillors in accordance with the BC Transit Act. These members are appointed by the minister responsible for transit, through an order of the lieutenant-governor in council.

In consultation with municipalities and the public, the Commission prepares, plans, sets fares, and determines service and performance standards for the Victoria Regional Transit System. The Commission also makes recommendations to BC Transit, respecting the annual operating and capital budgets for the transit system.

For 1998-99, Victoria Regional Transit Commission members were Councillor Judy Brownoff, chair, District of Saanich; Mayor Ray Rice, Township of Esquimalt; Mayor Frank Leonard, District of Saanich; Mayor Robert Cross, City of Victoria; Councillor Bob Friedland, City of Victoria; Mayor John Bergbusch, City of Colwood; Mayor Linda Michaluk, District of North Saanich.

Highlights of the Victoria Regional Transit System 1998-99

Continued growth in service to the region was a keynote of the 1998-99 fiscal year for the Victoria Regional Transit System. Service was expanded, new advances in vehicles and facilities were introduced, and market initiatives designed to increase future ridership were begun.

Victoria's expansion plans took one step closer to realization with the opening of the Langford Transit Centre, Victoria's second depot. Located in the Western Communities, the new facility was designed with extensive input from BC Transit staff.

Other initiatives in the 1998-99 fiscal year included support of the downtown streets project in partnership with the City of Victoria. The $2.3-million construction project, funded in part by BC Transit and the Canada-B.C. Infrastructure Works Program, also assisted in providing capacity for future transit system growth.

At the end of the fiscal year, another significant milestone was reached when University of Victoria and Camosun College students approved U-PASS, a mandatory bus pass program beginning in September 1999.

Highlights in detail: Victoria Regional Transit System

Opening of the $7.5 million Langford Transit Centre

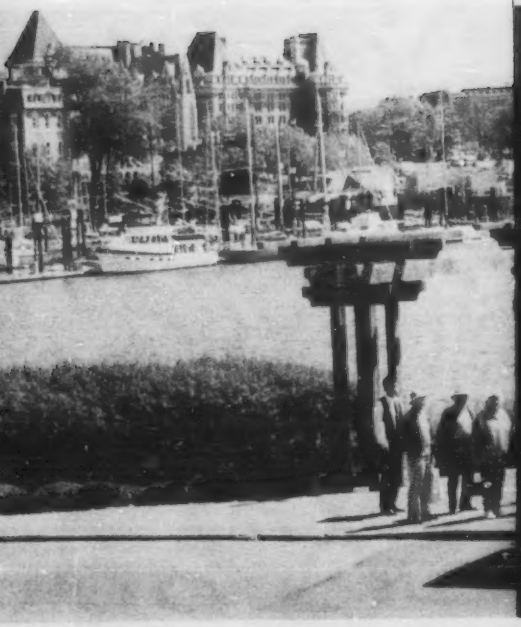
Victoria's future expansion plans were given a large boost towards realization with the opening of the Langford Transit Centre, Victoria's second depot. This facility can accommodate maintenance and operational requirements of another 160 buses, doubling the size of the Victoria system. The site is in the Western Communities, the highest growth area in the capital region and the priority area for future transit expansion. The site is located in a new industrial development and BC Transit has future rights for expansion of the property. This land could be used for Victoria's future light rail transit system. The facility was designed with maximum user involvement throughout the process in order to provide a facility that users would find efficient and enjoy. BC Transit staff, including supervisors, mechanics, service people and drivers, were instrumental in the design of all aspects of the Langford Transit Centre.

The facility was designed with the very highest environmental standards. The diesel fuel system features double-walled diesel fuel storage tanks with leak detection sensors. The complete underground fuel piping system is protected with the latest double containment piping and leak detection devices. The piping and storage tanks feature an electronic business

Opening of the $7.5 million Langford Transit Centre October 15, 1998

The facility was designed with maximum user involvement throughout the process in order to provide a facility that users would find efficient and enjoy.

BC Transit was instrumental in changing the look of downtown Victoria during the year.



management and environmental compliance system that monitors fuel storage, consumption, water in the tanks and leaks.

Creation of a more Transit, pedestrian and bicycle-friendly Douglas Street, Victoria's main transit route

BC Transit was instrumental in changing the look of downtown Victoria during the year. The downtown streets project, initiated by BC Transit in partnership with the City of Victoria, recommended changes to bus stop locations and design throughout the downtown core in order to revitalize the city's main street and provide capacity for future transit system growth. The project was undertaken through substantial consultation with cyclists, commercial transportation providers, city businesses and the general public. The plan was designed to improve the cycling and traffic environment while giving priority to pedestrians and transit service.

The City's $2.3-million construction program, funded in part by BC Transit and the Canada-B.C. Infrastructure Works Program, was nearly complete by year end. Fifty-four new trees were added to the street. Decorative brick designs accented pedestrian curb extensions and new traffic lane configurations slowed and managed traffic. Street furniture is expected to be added in the near future, creating a more pleasing and pedestrian environment for the city's main street.

PROPASS

Employer Bus Pass System

BC Transit revamped its major employer bus pass program during the year. The pass was relaunched as ProPASS and pass production capabilities were developed in house. A major marketing initiative to attract new customers from major employers was underway at year end.

Approval of Economical U-Pass by University of Victoria and Camosun College students

An even more significant market initiative passed a major milestone at year end. Students at both post-secondary institutions passed a referendum supporting a mandatory bus pass program starting September 1999. The U-PASS, providing unlimited transit service, will cost $44 per registered student per term with the school contributing an additional $4 per student from parking fees. Approximately 25,000 students will benefit from this partnership, which is expected to increase transit ridership to UVic and Camosun by a minimum of 15 per cent over the two-year program.

SAFETY AWARD RECEIVED

Safety has always been a prime concern with the Victoria Regional Transit System. Transit's safety interest has resulted in an award from the Canadian Urban Transit Association (CUTA) for a road safety marketing campaign undertaken in partnership with the Capital Regional District and ICBC.

Balios LED destination signs introduced

One of the more noticeable initiatives to the riding public was the introduction of new BALIOS LED destination signs on the latest Victoria buses. The large LED signs are much more visible on the street, particularly in bad weather conditions and in the dark. Manufactured in Quebec, Victoria is the first transit property to adopt this signage as its fleet standard.

Planning for Introduction of Trident Double Decker buses, the first low-floor Double Decker buses in the world

During the year, significant changes to Victoria's fleet were also initiated. The Victoria Regional Transit Commission approved the purchase of 11 double-deck buses to be put into service on suburban and busy urban corridors between 1999 and 2000. The buses will be built by Dennis Specialty Vehicles in England. With approximately 80 seats, the double-deck buses will offer an entirely new level of service when they start on the road in mid-2000.

LED Destination signs introduced

Transit's safety interest has resulted in an award from the Canadian Urban Transit Association (CUTA) for a road safety marketing campaign undertaken in partnership with the Capital Regional District and ICBC.

One of the highlights of the tour was a presentation made to celebrate the fifth anniversary of transit service in Parksville and Qualicum Beach

Municipal Systems Committee

Reporting to the Board of Directors, this committee reviews and recommends the annual operating and capital budgets for the Municipal Systems program and deals with policy matters relating to this program. The committee has been successful in ensuring that the transit needs of the non-metropolitan centres in British Columbia are adequately met.

On July 16 and 17, 1998, the Municipal Systems Committee of the BC Transit Board of Directors continued their annual tradition of touring a select number of communities to meet with municipal politicians and municipal and operating company staff to discuss transit issues in these communities and view the local operation of such services. The 1998 tour consisted of visits to the Eastern Vancouver Island communities of Campbell River, the Comox Valley and Nanaimo. One of the highlights of the tour was a presentation made to celebrate the fifth anniversary of transit service in Parksville and Qualicum Beach. In attendance on this tour were: Joan Reichardt, Chair, Municipal Systems Committee (Nelson); John Backhouse (Prince George); Councillor Judy Brownoff, Chair, Victoria Regional Transit Commission (Saanich); Mayor Len Traboulay, Chair, Vancouver Regional Transit Commission (Port Coquitlam).

For 1998-99, the Municipal Systems Committee was composed of Len Traboulay, Mayor, Port Coquitlam; Councillor Judy Brownoff (Saanich); George Chen, Chair, BC Transit; Joan Reichardt, Chair, Municipal Systems Committee (Nelson); Steve New, Division Manager, Municipal Systems, BC Transit.

Highlights of the Municipal Systems Program 1998-99

Three new Transit Systems

New transit systems were introduced in three communities. In Clearwater & Area, service now operates with a wheelchair-accessible Polar minibus, Monday to

Friday, for a total of 37.5 hours of service per week. In the Hazeltons Region, paratransit service now operates on weekdays, with local transit service three days per week (four trips per day) and service to Smithers two days per week (three trips per day) utilizing a 22-passenger lift-equipped minibus. In Nelson-Playmor Junction, paratransit service now provides three return trips Monday to Saturday between Nelson and Playmor Junction, with extensions through residential areas up to 500 metres from Hwy. 3A to provide door-to-door accessible service upon request.

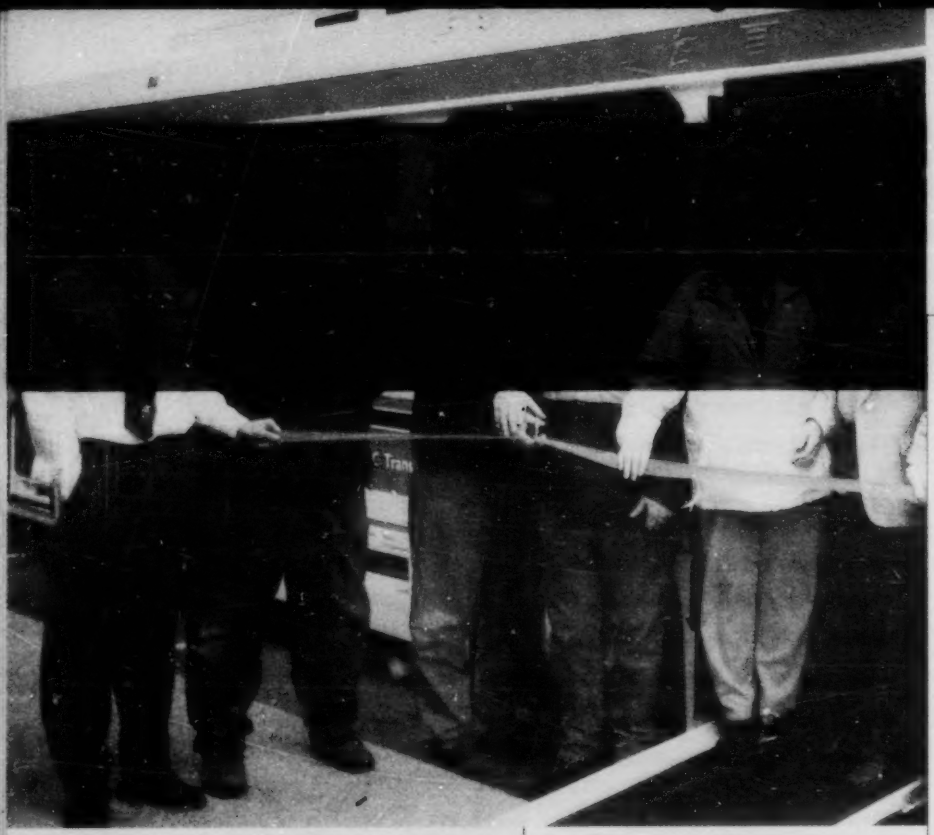
Expansion of Services in Seven Communities

Expansion of service occurred in seven of the municipal systems. Expansion of conventional service took place in Central Fraser Valley, Cowichan Valley, the Kelowna Region, Whistler and Nanaimo. Highlights include a four-bus expansion in the Kelowna Regional Transit System. In Whistler, more frequent peak-hour service during winter ski season was added, with more frequent service during shoulder and summer months. In the Central Fraser Valley, a two-bus expansion provided increased service in the District of Mission and the regional link between Mission and Abbotsford. Expansion also took place in Cranbrook paratransit service and Kitimat custom service.

Introduction of Low-Floor Buses

A further 37 fully accessible low floor buses were included into the Municipal Systems fleet, either as replacement vehicles or vehicles to provide expansion of service. Some of these vehicles (29) were funded in part by the Canada-B.C. Infrastructure Works Program.

These vehicles were placed in the following communities: Campbell River, Central Fraser Valley, Chilliwack, Kamloops, Nanaimo, Powell River and Prince George. Their introduction in Campbell River, Chilliwack, and Powell River brought on board three more communities into which accessible conventional service is provided.



Introduction of Low-Floor Buses in Campbell River May, 1998

The business plan includes supporting strategies to improve transit system performance.

Custom Transit Driver's Manual Updated

Changes to handyDART operating practices were reflected in an updated Custom Transit Driver's Manual, the safety and operational guide for every handyDART and paratransit driver in B.C. The changes were implemented on March 15, 1999 in the Victoria region and the Municipal Systems program. The manual provides information to drivers on safety and operational issues, including driver responsibilities, disability awareness, passenger assistance, vehicle operation and emergency procedures. The update involved input from BC Transit staff and operating companies.

Transit Business Plan for the Regional District of Nanaimo

A transit business plan for the Regional District of Nanaimo (RDN) was prepared in conjunction with BC Transit. The plan includes a comprehensive review of existing transit service to determine the best approach for providing both conventional and custom transit in the Nanaimo Region. Items contained within include both service and capital plans, with detailed service proposals for implementation within the next two years, service enhancement options for the next five-year period, and forecasts of service and capital requirements over the next 20 years based on trends in regional development and per capita service levels. The plan includes supporting strategies to improve transit system performance and support the service and capital plans. The Transit Business Plan supports the Regional District of Nanaimo's Growth Management Plan and has been approved by the its Board. Future decisions on transit service changes in the Nanaimo Region will be based on achieving key performance indicators along with community and passenger service objectives as laid out in the plan.

New Operations Centre and Queensway Station in Kelowna

Two major facilities, a new operations centre and a new dedicated downtown exchange, opened in Kelowna in 1998/99 to increase the operational and customer movement efficiency of the transit system. Queensway Station, the Downtown exchange, replaces the on-street arrangement of downtown bus layovers on Bernard Street as the hub of the system. Phase 1 of the project, completed in August 1998, includes an eight-bay transit exchange, passenger amenities and other necessary street works. The City of Kelowna undertook the capital investment for this phase of the project. Phase 2 will include a centre island commercial development, funded in conjunction with a private sector partner.

The new Kelowna Regional Transit Operations Centre opened in December 1998. This project includes a transit garage, office and associated bus parking area for the transit system. It involves a partnership between the City of Kelowna and BC Transit, with the City contributing the 1.2 hectare site for the project adjacent to their public works yard. The project is required to accommodate planned expansions as part of BC Transit's 10-year development plan.

CoinCard™ Testing in Whistler

Testing of a new fare collection technology, CoinCard™, took place on the Whistler Transit System during 1998/99 and is being prepared for implementation in the largest communities within the Municipal Systems program for 1999/2000. CoinCards™ increase the ease of using transit systems through a pre-paid fare structure that increases options for the rider. The new card will make the system more attractive to part-time users by increasing options and flexibility; reduce the cost of coin collection for the municipality; increase the proportion of pre-paid fares; and reduce the instance of fare evasion. The manufacturer is CoinCard™ International Inc., based in Victoria.

Obie Media Advertising Contract

A new contract was negotiated for on-board advertising with Obie Media. The contract serves the communities within the Municipal Systems program primarily by increasing the revenues to the municipalities thus lowering the local tax burden for transit funding.

New Queensway Station in Kelowna

TripCards

Vancouver Regional Transit System

Vancouver Regional Transit Commission

In 1998-99, the final year of the Vancouver Regional Transit Commission, members included seven locally elected representatives of the 18 municipalities, three villages, and two electoral areas within the Vancouver Regional Transit System. The mayor of Vancouver was a member in accordance with the BC Transit Act. All other members were chosen, based on geographic area, by the minister responsible for transit, then appointed through an order of the lieutenant-governor in council.

In consultation with municipalities and the public, the commission's duties included preparing plans, setting fares, and determining service and performance standards for the Lower Mainland. The commission made recommendations to the BC Transit Board of Directors, respecting the annual operating and capital budgets for the Vancouver Regional Transit System.

In 1998-99, Vancouver Regional Transit Commission members were Mayor Len Traboulay, chair, City of Port Coquitlam; Mayor Greg Halsey-Brandt, City of Richmond; Mayor Philip Owen, City of Vancouver; Mayor Douglas Drummond, City of Burnaby; Mayor Marlene Grinnell, City of Langley; Mayor Brenda Broughton, Village of Lions Bay; Councillor Don Bellamy, City of Vancouver.

Highlights of the Vancouver Regional Transit System, 1998-99

Greater Vancouver Transportation Authority (GVTA) Transition Completed

Following a February 1998 agreement between the Province and the Greater Vancouver Regional District, responsibility for transit service in the Lower Mainland was successfully transferred to a new regional authority, the Greater Vancouver Transportation Authority on April 1, 1999. Prior to the transition deadline, a team seconded from BC Transit's strategic and service planning departments and the Greater Vancouver Regional District's transportation planning department, completed

Transport 99, a program plan and budget for all GVTA activities for the period from April 1 to December 31, 1999.

Skytrain Annual Ridership Reaches 42 Million

The expansion of rapid transit is included in the Livable Region Strategy, BC Transit's 10-year plan, and many municipal community plans. With SkyTrain's annual ridership reaching 42 million, expanded rapid transit in the Lower Mainland became a priority. In addition to the purchase of 60 additional cars, the Provincial Government announced SkyTrain extension plans on June 24, 1998. The initial phase of the extension will go from New Westminster to Lougheed Mall, and through Burnaby to Vancouver Community College. Completion of this phase is set for 2001. Planning for the second phase extending the line from Lougheed Mall through Port Moody to Coquitlam, slated for completion in 2003, is also proceeding. A Memorandum of Understanding (MOU) was signed by the Province and Bombardier Transportation. Highlights of the MOU include the commitment from Bombardier to build a centre for advanced transit systems for research, technology development and marketing of SkyTrain worldwide. A facility will also be built to accommodate the manufacture of MKII SkyTrain vehicles. Fifty of the initial 60-car order will be manufactured at the new centre in Burnaby.

The commission's duties included preparing plans, setting fares, and determining service and performance standards for the Lower Mainland.

Westcoast Express

The GPS system is used to track schedule adherence and train location, providing better on time performance and further protecting passenger safety.

West Coast Express Achieves Five-Million Passengers

In 1998, West Coast Express (WCE) ridership reached a figure of 8,000 riders per day, up from 5,000 riders per day after its launch on November 1, 1995. Now operating near capacity, WCE achieved the five millionth passenger mark in January 1999, only 38 months after beginning service. WCE experienced a 16 percent increase in riders in 1998. Seventy-five per cent of WCE riders new to transit or former car commuters say that service is a key part of their decision to travel via WCE. Daily on-board passenger surveys show that 99 percent of WCE passengers are satisfied or delighted with service. Focusing on customers includes the use of daily on-board customer satisfaction surveys, ongoing customer service training for front line personnel and management, innovative responses to service disruptions, and use of a customer database to personalize service.

In spring 1998, an automatic vehicle locating system employing a global position satellite system was installed on each of five WCE locomotives. The GPS system is used to track schedule adherence and train location, providing better on time performance and further protecting passenger safety.

In 1996, WCE was named Project of the Year by the Project Management Institute which recognizes excellence in project planning and management. Although it is one of North America's newest commuter rail systems, WCE has consistently won marketing awards from the American Public Transit Association, competing against properties across North America. In addition to winning four first prizes in 1996, and four more in 1998, WCE also won two grand prize awards in 1998 in print media and complete campaign categories.

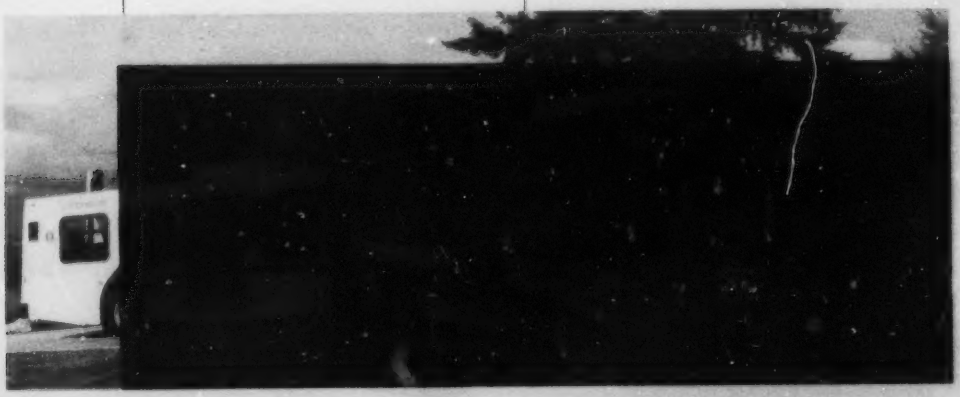
Fiftieth Anniversary of Trolley Bus System

Hundreds of passengers celebrated the fiftieth anniversary of trolley bus service in Vancouver on Sunday, August 16, 1998. Restored Brill #2040 led a parade of four buses, including Brill #2416, a Flyer E900 trolley and Flyer 'triesel' (a diesel bus converted to electric trolley bus propulsion) from Oakridge Transit Centre to Cambie Street and 29th Avenue, the site of the city's original trolley bus terminal. Festivities included the unveiling of a commemorative plaque at the site. BC Transit also published a 60-page history with photographs entitled Vancouver's Trolley Buses, 1948-1998. Today's fleet of 244 Flyer E901 trolleys serves 14 trolley bus routes.

Expansion of Popular 99 B-Line Service

On September 8, in response to growing customer support, the start of the third year of the popular 99 B-Line bus service was launched with significant service improvements. These included a new 99 B-Line fleet of 60-foot, articulated, low-floor, accessible buses; a new, distinctive paint-scheme representing a new level of rapid services; new evening service; new Sunday and holiday service; enhanced Saturday service; new bike-rack-equipped service at all B-Line stops; increased westbound morning peak-period service to central Broadway and UBC; and better connections to other transit service at the Lougheed Mall bus loop. An average 12,000 riders use the B-Line service daily, a figure more than 30 per cent than projected. Enhancements to the service will increase peak capacity by 30 per cent.

Fiftieth Anniversary of the Trolley Bus System in Vancouver



Expansion of Popular 99 B-Line Service

Zero-emission vehicle

Fuel-cell technology converts hydrogen to electric power through an electrochemical process that leaves harmless water vapour as the only exhaust product.

Environmentally Friendly Ballard Fuel Cell-Powered Buses Begin Service Test Program

BC Transit customers caught a glimpse of the future with the test launch of Canada's first zero-emission, Ballard Fuel Cell-powered buses. As part of the country's first full-passenger-service test program, three prototype buses entered service October 26 on the #158/159 route between Port Coquitlam and New Westminster. Fuel-cell technology converts hydrogen to electric power through an electrochemical process that leaves harmless water vapour as the only exhaust product.

Environmental measures continue to show results

In the last 10 years, harmful emissions from BC Transit buses were significantly reduced due to ongoing environmental strategies. Particulate matter emitting from bus exhaust systems, was reduced by 77 per cent across the fleet. Emissions of nitrous oxides was reduced by 47 per cent across the fleet. These reductions were achieved through a strategy of replacing old diesel buses with latest-technology diesel buses and CNG buses, and upgrading of older diesel engines with the latest available emission-reduction kits during rebuild. By the year 2000, further reductions will be obtained as older buses are replaced. In 1998, an air emissions audit on BC Transit garage facilities confirmed that emissions are below levels requiring a permit. As well, BC Transit continued its implementation of state-of-the-art wastewater treatment programs using membrane ultrafiltration.

Since hiring BC Transit's first full time environmental specialist in 1995, BC Transit has moved toward the accomplishment of many of its environmental goals. It developed a

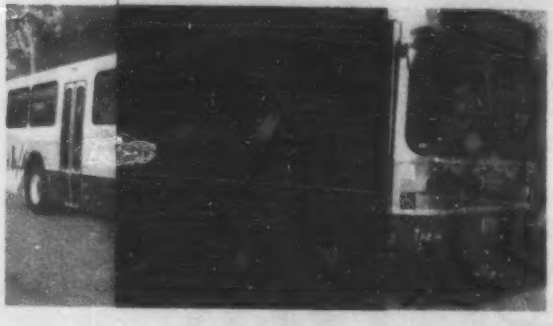
corporate environmental policy compatible with new international standards (ISO 14000 series of standards) in 1996; conducted environmental awareness training for supervisory staff (1996); developed a five-year environmental plan (1997); and conducted spill response training for all garage staff (1997).

In addition, BC Transit uses re-refined oil from Husky-Mohawk, produced at its North Vancouver refinery. All used oil is picked up and re-refined to produce a top-quality engine oil. BC Transit also strives to retread increased amounts of tires to reduce the amount of used tire disposal.

A summary of other environmental measures taken includes: the development of fuel-spill response plans for the bus system, improving response time and ensuring a response to all spills caused by vehicle breakdowns or motor vehicle accidents; installation of posi-lock fuelling system at fuel islands to provide an air-tight lock between the bus and the fuel line that prevents overfilling; replacement of aged underground steel chemical and oil storage tanks with state-of-the-art steel above ground tanks with much better leak resistance and leak detection; replacement of aged underground steel fuel tanks with new fibreglass underground fuel tanks fitted with leak detection devices; provision of storage space for potentially environmental hazardous materials to contain accidental spills, eliminating the need to store drums of chemicals/oils out of doors; recycling programs for office and garages for paper, batteries, metal, cardboard, tires, glass; promotion of GO GREEN campaign; support for employee environment committee; environmental audits on garage operations; and numerous audits on soil contamination, resulting in remediation at a number of properties.

Expansion of Bus Fleet

A total of 100 new buses were added to the BC Transit fleet during 1998-99. These included 51 low-floor diesel bus replacements, 21 low-floor, clean-diesel articulated buses destined for the 99 B-Line; 25 compressed natural gas (CNG) low-floor replacement buses and three Ballard buses.



New Bus Priority Legislation Prompts Education Program

In response to provincial approval of bus priority yield legislation, scheduled for implementation after April 1, 1999, BC Transit created a comprehensive, province-wide education program to introduce both transit operators and motorists to the legislation. This significant transit priority measure, applicable to all transit buses across B.C. operated directly or indirectly by BC Transit or the Greater Vancouver Transportation Authority, requires that motorists must yield to a bus leaving a stop in roadways of 60 kilometres per hour or less.

The new legislation forms part of a series of bus priority measures planned by BC Transit and the GVTA, which includes high-occupancy vehicle lanes and more bus lanes; queue jumpers; bus bulges; traffic signal priorities; and bus-exempted turns.

To launch a thorough education program, BC Transit joined with the Insurance Corporation of B.C. in a marketing campaign targeting all motorists across the province, transit operators; stakeholder groups such as transit unions and safety committees; law enforcement agencies; transit customers; and operators of large vehicle fleets such as taxis or couriers.

Transit Satisfaction on the Increase

Public availability of BC Transit information improved significantly in the 1998-99 fiscal year, according to customer surveys. Ratings show that the number of customers indicating "overall satisfaction" with bus service has increased over one year. Service features such as "reliability" and "not being overcrowded", also showed a marked improvement.

Customer Information Delivery Increases

Utilizing state-of-the-art software, the BC Transit call centre handled 23 per cent more calls in 1998-99. Continuing BC Transit's commitment to customer service, an award-winning website with system timetables was launched, quickly garnering 40,000 customer inquiries a month.

Human Resources Programs Show Results

In the 1998-99 fiscal year, the total of five-year BC Transit operators completing a five-day refresher course reached more than 1,300. This customer-service-oriented program addresses a variety of issues from dispute resolution and valuing diversity to accessible transit.

During the same fiscal year, 15 different business leadership programs were offered by the organizational development group. More than 1,200 instructional days were delivered to more than 200 different managers and employees. In particular, 48 employees completed the Leadership Series, a five-course, comprehensive skills-training program based upon the core competencies of effective change leadership. The Leadership Series was developed and introduced in the fall of 1995.

As part of ongoing employment outreach initiatives in 1998-99, focus group meetings were held with members of the public representing women, aboriginal people, and visible minorities. The aim was to discuss the current transit operator recruitment

process in an effort to enhance opportunities for all those individuals. This initiative flowed from the 1993 review of BC Transit's employment systems. The review identified a number of recruitment issues for members of designated equity groups: women, aboriginal people, visible minorities and people with disabilities. Revisions to the pre-employment testing and interview processes have addressed the majority of the issues identified.

The year 1998-99 saw an average of 24 employees participating in alternative rehabilitation placements every month.

A joint consultation process with BC Transit unions resulted in the first designated rehabilitation position, designed to facilitate the return to work for injured employees. This was introduced to employees in late 1988. There are now 20 full-time positions available for employees who require both temporary and permanent positions. These positions are supplemented by a process that provides additional short-term, light-duty placements throughout the corporation.

Conventional Bus Services

Vancouver Region
Victoria Region
Campbell River
Central Fraser Valley
Chilliwack
Comox Valley
Cowichan Valley
Dawson Creek
Fort St. John
Kamloops
Kelowna Regional
Kitimat
Kootenay-Boundary
Nanaimo Regional
Nelson
Parksville-Qualicum Beach
Penticton
Port Alberni
Powell River
Prince George
Prince Rupert
Squamish
Sunshine Coast
Terrace Regional
Vernon/Coldstream
Whistler

handyDART

(door-to-door transportation for people with special needs)
Vancouver Region
Victoria Region

Alberni-Clayoquot
Campbell River
Central Fraser Valley
Chilliwack
Kamloops
Kelowna Regional
Kitimat
Kootenay-Boundary
Nanaimo Regional
Penticton
Prince George
Prince Rupert
Vernon

ParaTransit
(rural and smaller communities)

Boundary-Grand Forks
Castlegar Regional
Clearwater and Area
Columbia-Shuswap
Comox Valley
Cowichan Valley
Cranbrook
Creston Valley
Fort St. John
Hazeltons' Regional
Kaslo
Kimberley
Nakusp
Nelson and Area
Nelson-Playmor
North Okanagan
Okanagan-Similkameen
100 Mile House
Osoyoos
Parksville/Qualicum Beach
Port Edward
Powell River
Princeton
Quesnel
Revelstoke
Salmon Arm
Smithers
Squamish
Summerland
Sunshine Coast
Terrace Regional
Williams Lake

Vancouver

Diesel buses 733
Ballard Fuel Cell buses 3
Compressed Natural Gas
(CNG) buses 50
West Vancouver Blue Buses 29
Electric trolley buses 244
SkyTrain cars 150
SeaBus ferries 2
West Coast Express
passenger cars 31
West Coast Express locomotives 5

Victoria

Diesel buses 206

Municipal Systems

Diesel buses 263
(includes 11 minibuses)

handyDART

Vancouver Regional
Transit System 227
Victoria Regional
Transit System 35
Municipal Systems (custom/
paratransit vans and
minibuses) 138

Performance and Financial Summary

Victoria Regional Transit System

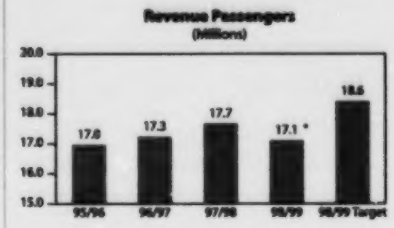
Performance Indicators

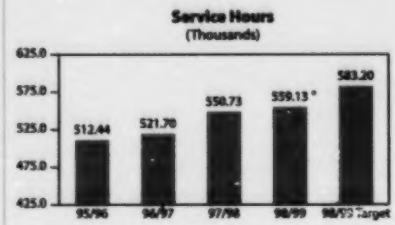
The graphs on this page present five key performance indicators for the conventional transit system (i.e., excluding custom transit service) in the Victoria Region.

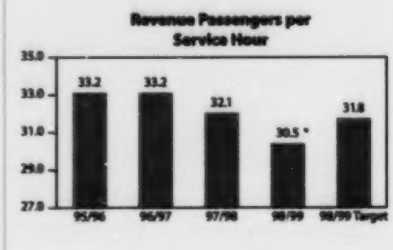
The Victoria Regional Transit System carried 17.1 million passengers, down by 3.4% from the previous year. The decline in ridership is attributed to a labour disruption associated with collective bargaining in February and March 1999. Prior to the labour disruption, ridership was tracking marginally above the previous year.

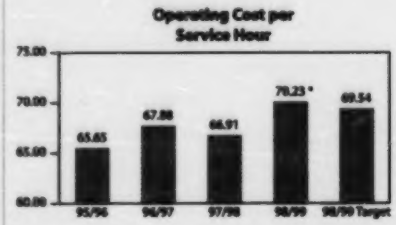
Service hours delivered increased 1.5% over the previous year with growth primarily in the suburbs. Passengers per service hour declined as ridership in the suburban areas is typically below the levels achieved in the urban core.

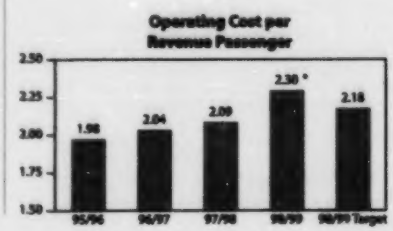
Operating cost per service hour and operating cost per revenue passenger exceeded target as a result of lower service hours delivered and lower than targeted ridership.











** Eight-day strike - March, 1999*

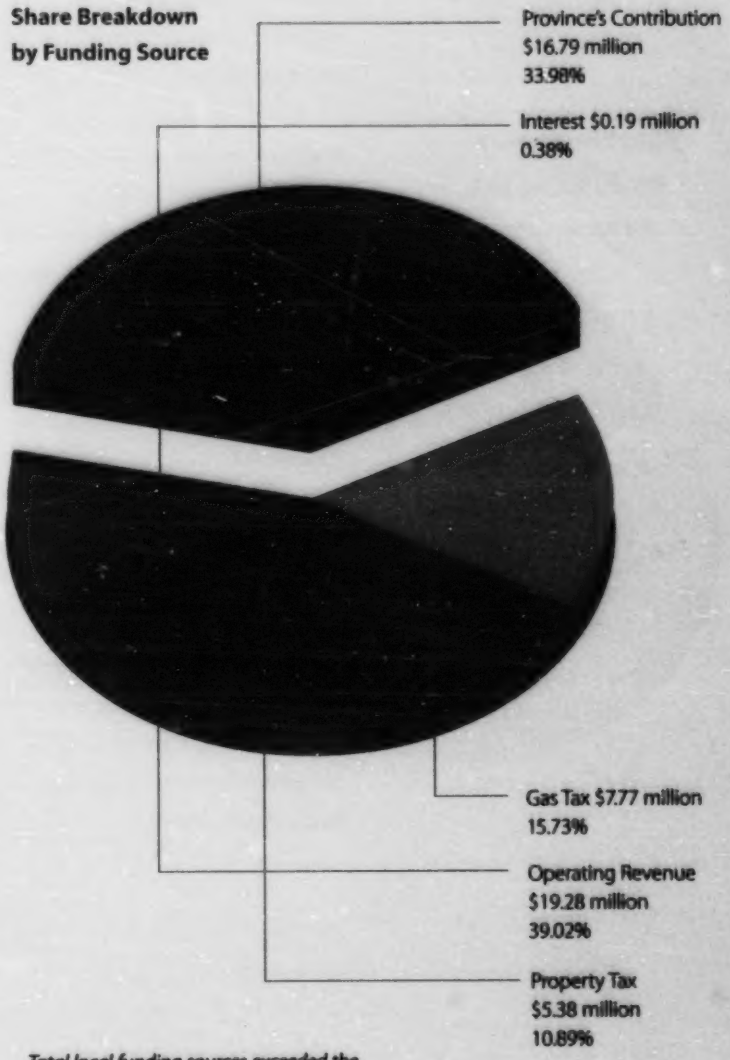
Victoria Regional Transit System

1998/99 Funding Sources – $49.41 Million

Expenditures for the Victoria Regional Transit System totaled $49.41 million for the year ended March 31, 1999. Operating costs made up $42.58 million (86.3 per cent) of the total expenditures and debt servicing costs for assets in service made up the remaining $6.75 million (13.7 per cent) of the 1998/99 expenditures

The pie chart illustrates how transit expenditures in the Victoria region were funded in 1998/99. Operating revenue (primarily passenger fares) provided $19.28 million (39.0 per cent) of the total funding. Direct Provincial Government contributions provided $16.79 million (34.0 per cent) and the remainder was raised by the Victoria Regional Transit Commission using its available tax sources. These tax sources include a 2.5 cent/litre fuel tax and a general property tax. Interest on the Local Transit Fund balance over the course of the year contributed to available funds as well.

Share Breakdown by Funding Source



Total local funding sources exceeded the Commission's share of costs during 1998/99 by $89,700, resulting in a Local Transit Fund Balance of $2.33 million at March 31, 1999 compared to $2.24 million the previous year.

Performance and Financial Summary

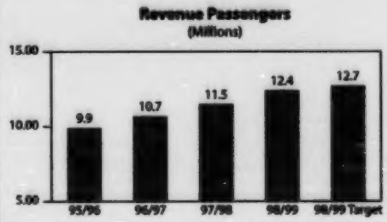
Municipal Systems

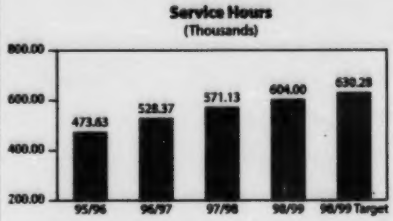
Performance Indicators

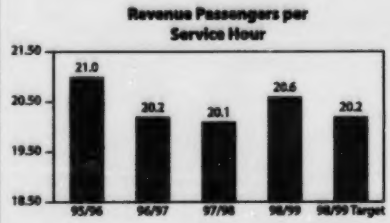
The graphs on this page present five key performance indicators for the conventional transit system (i.e., excluding custom transit service) in the Municipal Systems.

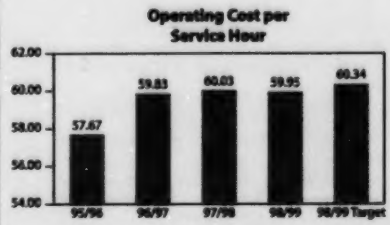
Municipal Systems carried 12.4 million revenue passengers, which is an increase of 7.8% from the previous year. This was achieved through an increase of 5.8% in service hours, and the combined effect resulted in a revenue passengers per service hour ratio increase of 2.5% over 1997/98. Service hours delivered were lower than planned due to delays in expansion in some municipalities.

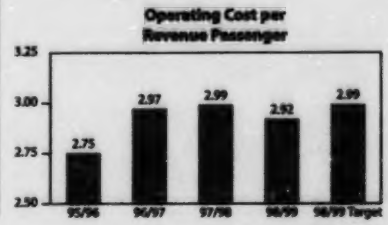
Operating cost per service hour and operating cost per revenue passenger are both favourable to target and below the previous year as a result of budget constraints and delays in service implementation.











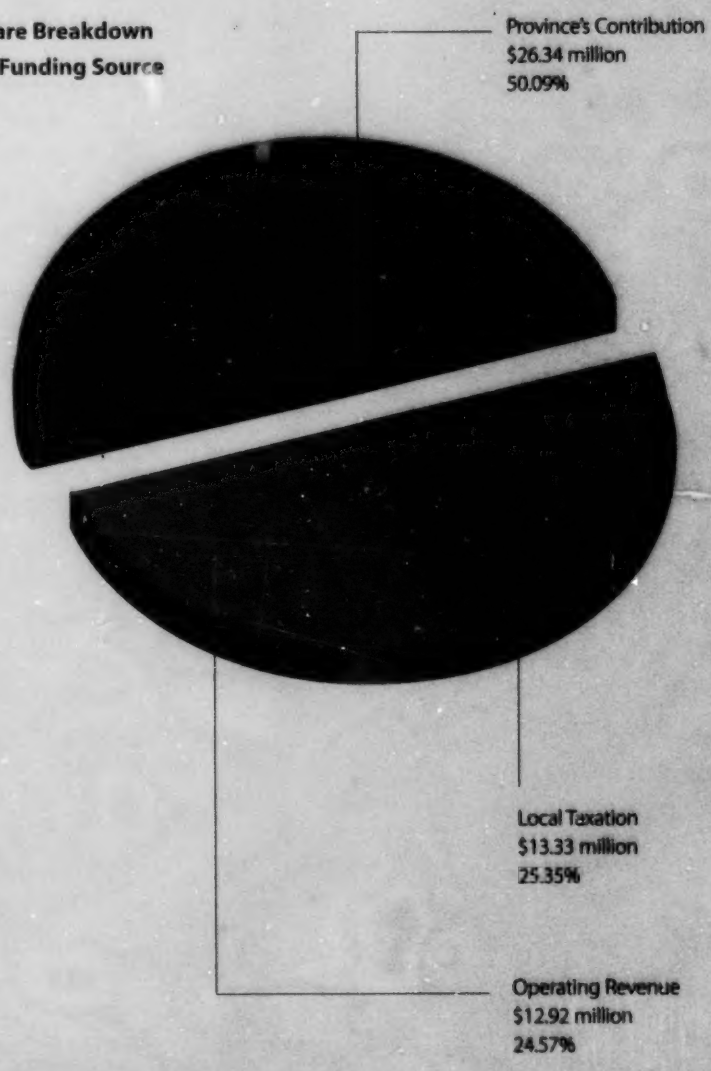
Municipal Systems

1998/99 Funding Sources – $52.59 Million

Expenditures for the Municipal Systems totaled $52.59 million for the year ended March 31, 1999. Operating costs made up $45.50 million (86.5 per cent) of the total expenditures; debt servicing costs for assets in service made up the remaining $7.09 million (13.5 per cent) of the 1998/99 expenditures.

The pie chart illustrates how transit expenditures within the Municipal Systems were funded in 1998/99. Operating revenue (primarily passenger fares) provided $12.92 million (24.6 per cent) of the total funding. Direct Provincial Government contributions provided $26.34 million (50.1per cent) of the total funding and individual communities in the system raised the remaining $13.33 million (25.4 per cent) from their municipal tax sources.

Share Breakdown by Funding Source



Since its inception as the provincially governed UTA in 1979, BC Transit has continually and successfully evolved in response to the needs of a growing province, an intrinsic force in the economic growth of the cities and communities it serves.

On April 1, 1999, BC Transit reaches a new milestone with the transition of authority for public transit in the Greater Vancouver area moving from Province jurisdiction to the Greater Vancouver Transportation Authority (GVTA). In the Victoria region and municipal systems, public transit will continue to be managed by BC Transit.

Looking back over two decades, BC Transit province-wide has evolved into an efficient, multi-modal, integrated system, recognized internationally for its accomplishments.

The 1998-99 BC Transit annual report includes this special section to celebrate and record BC Transit's 20 years of progress.

The Eighties

1979

On June 17, 1979, SeaBus, a unique, high-speed, double-ended catamaran passenger ferry service across Vancouver Harbour, celebrated its second year of operation. Two 400-passenger SeaBus vessels cross Burrard Inlet between downtown Vancouver and North Vancouver. Over the next 20 years, a fully integrated multi-modal system will be developed in the Greater Vancouver region.

Responsibility for public transit outside Vancouver and Victoria is transferred from the Bureau of Transit Services (Municpal Affairs) to a new Crown corporation, the Urban Transit Authority (UTA). UTA and regional districts in Vancouver and Victoria negotiate responsibility for planning, marketing and funding transit service. Local governments now contribute to the cost of transit in their communities, and take a role in planning. Funding for transit service in smaller communities expands dramatically. Community transit systems across B.C. get the go-ahead, with conventional service starting in 1979.

1980

In January 1980, the Victoria system expands into the Western Communities and the Saanich Peninsula. Local feeder buses connect at outlying points with express buses destined for downtown.

April 1, 1980: UTA takes over from BC Hydro in Greater Vancouver and Victoria. A new operator, Metro Transit Operating Company, takes over. After 19 years, B.C. Hydro's involvement in transit ends and the staff and assets of Hydro's transit division are transferred to MTOC.

The Municipality of West Vancouver joined UTA but continues to operate its Blue Bus service. The provincial agency owns the vehicles and, in partnership with the Greater Vancouver Regional District (GVRD), is responsible for planning and funding the system. As part of the agreement, the Blue Bus motif is retained.

handyDART is launched, providing door-to-door transit for people with disabilities in Victoria, the municipal systems and the Greater Vancouver region.

1981

By 1981, close to 30 transit systems are in place around the province.

In January, the Victoria system further expands in the Western Communities and the Saanich Peninsula.

The Eighties

1982

Construction of SkyTrain, a fully automated, light rapid transit system linking Vancouver to New Westminster, begins on March 1, 1982.

In August 1982, UTA becomes BC Transit and adopts a red, white and blue colour scheme.

Two hundred and forty-five E901 trolley buses, among the first electronically controlled trolleys in the industry, arrive from Flyer Industries in Winnipeg in 1982 and 1983.

BC Transit expands custom transit service in the Municipal Systems, and takes over control of several small paratransit systems funded to that point by grants from the Ministry of Human Resources.

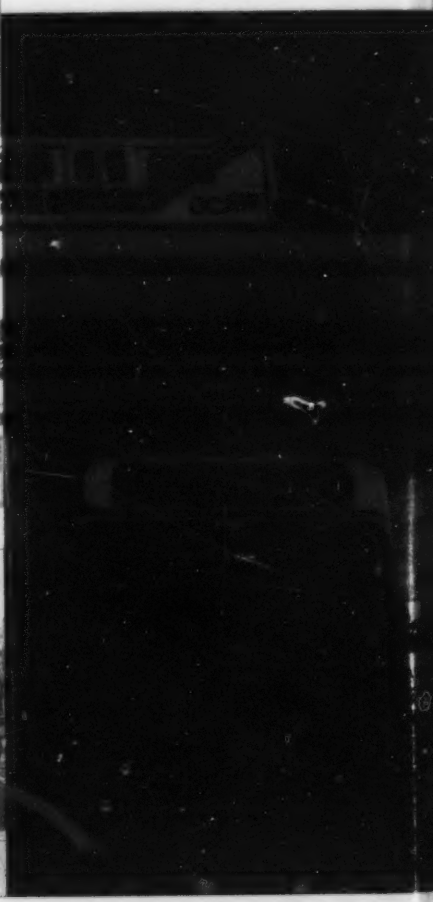
1983

In April 1983, local government responsibility is transferred from the regional districts to the newly created Vancouver and Victoria regional transit commissions.

1985

The Metro Transit Operating Company merges with BC Transit.

June 1985. First meeting of new consolidated Board of Directors, chaired by Stu Hodgson. December 1985. Skytrain begins inaugural runs.



1986

SkyTrain opens January 2, 1986. Bus routes are reorganized to feed the SkyTrain system. Trolley buses are extended into Burnaby Metrotown on March 7, 1986.

On May 2, 1986, Expo 86 opens. All BC Transit services (buses, SkyTrain, SeaBus, handyDART) play a role in transporting visitors to the world exposition. BC Transit bus routes expand to serve the False Creek site. SkyTrain transports 150,000 to 175,000 people daily. By closing day, October 2, 1986, more than 22 million visits are made to Expo 86.

1988

In September 1988, trolleys are extended to the University of British Columbia. As a result, the #10 route is reconverted from diesel service and the #4 route is extended to UBC.

Current and planned development along the SkyTrain route equals $5 billion in direct spending, $15 billion in spinoffs. Metrotown in Burnaby is the single largest development.

The Vancouver Regional Transit System (VRTS) expands to Langley Township and Langley City.

1989

A first in Canada, the BC Transit board commits to fund wheelchair accessible transit vehicles if requested by regional transit commissions or local governments. The Vancouver Regional Transit Commission (VRTC) adopts the accessible transit policy and becomes the first system approved by the board.

Thirty-seven transit systems are in place in the Province of British Columbia.

The Nineties

1990

On January 22, 1990, public transit in British Columbia begins its second century.

In March 1990, SkyTrain extends service to Scott Road Station via SkyBridge, a rapid-transit-only span across the Fraser River. At 616 metres, SkyBridge is the world's longest cable-stayed bridge designed solely for rapid transit use.

Vancouver begins replacing mercury-arc rectifier equipment with solid state electronic equipment (1990-1994).

1991

Victoria Regional Transit System receives the Elizabeth H. Dole Silver Shield Award for excellence in traffic and passenger safety. Victoria again receives this annual award in 1992 and 1993.

The first low-floor buses in transit service in North America appear on Victoria streets.

Vancouver's first articulated buses run on the #160 route along Barnet-Hastings as part of the Barnet high-occupancy vehicle (HOV) project.

VRTS expands into Maple Ridge and Pitt Meadows, December 1991, replacing former municipal system.

Ballard Fuel Cell-powered bus development begins.

1992

SeaBus wins the Safety Council's Award of Honour for its safety record of one million hours without injury.

Bus radio system is introduced in Greater Vancouver region.

1993

BC Transit receives Premier Award for Best Integrated Transit System in the World from the International Centre for Cities on Water in Venice, Italy.

1994

The Canadian Urban Transit Association (CUTA) honours Victoria with its Transit System of the Year Award. BC Transit receives a Tourism Victoria environmental award.

Victoria expands bus service for the XV Commonwealth Games, carrying 30% of opening and closing ceremonies attendees, and providing transportation to thousands of visitors to all cultural and sporting events.

SkyTrain adds three new Surrey stations and additional cars. The total SkyTrain fleet is now 150 cars, of which 140 (93 per cent of the fleet) are scheduled and operated each weekday rush hour.

Full-paint buses appear in Vancouver.

VRTC approves plans for a rapid-transit-style bus service (99 B-Line) between Lougheed Mall and the UBC as a special customer-oriented project.

A major expansion of Municipal Systems service begins, 1994-1999.

1995

BC Transit is awarded the CUTA transit system of the year award for its Vancouver service.

Ten-year transit plan proposes major expansion of rapid transit and new rapid bus routes.

By 1995, half the Vancouver bus fleet is wheelchair accessible. On November 1, West Coast Express commuter rail begins serving a 65-kilometre route between Mission and downtown Vancouver. Launched on time and on budget, five trains carry 5,000 passengers during peak periods.

The Nineties

1996

Scheduling and customer information in the Vancouver region is enhanced with a state-of-the-art computer software.

BC Transit is rated number one among North American transit systems by the American Public Transit Association (APTA). BC Transit receives this annual award for demonstrating "extraordinary achievement, efficiency and effectiveness inits size category."

September 3: Launch of the 99 B-Line provides fast, more frequent, rapid-bus service between Lougheed Mall and UBC.

1997

SeaBus celebrates its 20th anniversary, June 17, after more than 800,000 crossings.

Negotiations begin between the Province and Greater Vancouver Regional District on handover of Vancouver Regional Transit System to a new regional authority.

In fiscal year 1997/98, an estimated 225.6 million passenger trips (boarded passengers) were made on buses, SeaBus, SkyTrain and West Coast Express.

1998

In February, provincial legislation authorizes the formation of the Greater Vancouver Transportation Authority (GVTA).

Richmond Rapid Bus project begins with extensive community consultation phase. Road construction begins in 1999.

By Fall 1998, 18 additional bus routes in the VRTS provide wheelchair accessible service, bringing the total to 116 routes, or 64 per cent of all routes. Full accessibility is slated for the year 2006. SeaBus and West Coast Express are fully accessible, with SkyTrain accessible except for Granville Station (where other arrangements can be made). The Victoria and Municipal systems are also progressing on full conventional bus system accessibility, with similar target dates.

BC Transit (Vancouver) maintenance team wins 1998 APTA Maintenance Roadeo over 50 of the top teams in North America, making it the first Canadian team to win the competition.

1998

SkyTrain annual ridership reaches 42 million. The next generation SkyTrain expansion is announced by the Provincial Government. Bombardier commits to the project. Sixty new cars are ordered.

August 16: BC Transit celebrates 50 years of service for Vancouver's electric trolley bus system.

99 B-Line: Schedule expansion, new buses, and a distinctive paint scheme mark the start of the third year of service, September 8.

Ballard buses: Launch of the first full-passenger service test program in Canada for zero-emission Ballard fuel-cell powered buses on October 26, 1998. Three prototype buses enter BC Transit service.

Ninety-seven low-floor buses, including 25 compressed natural gas buses, enter service in Greater Vancouver.

Ten years of environmental improvements result in significant emission reductions, such as a 47-per-cent reduction of nitrous oxide across the fleet.

1998

Bus priority measures initiated: First "bus bulge" is completed at 10th and Sasamat on the 99 B-Line. Bus priority yield legislation is approved for implementation on April 1, 1999.

BC Transit's award-winning web site, with system timetables, is now used by 40,000 customers a month. Call centre handles 23 per cent more calls.

Since 1993, a total of 1,900 transit operators completed a five-day refresher course.

In the Victoria region, the $7.5-million Langford transit centre opens.

Victoria's main transit corridor, Douglas Street, is made more transit, pedestrian and bicycle-friendly.

Economical U-PASS for UVic and Camosun College students is approved.

In the Municipal Systems, a new garage and downtown transit exchange open in Kelowna.

1999

January 18, 1999 West Coast marks its five-millionth passenger trip. Trains are running at near capacity with 7,700 rides per day.

April 1, 1999: Handover of BC Transit's Vancouver Regional Transit System to the Greater Vancouver Transportation Authority. The system serves 2.0 million people in a service area of 1,800 square kilometres, the largest single urban transit service area in Canada.

Celebrating 20 Years of Progress

APRIL 1, 1998 TO MARCH 31, 1999

Financial Summary

Operating Revenues and Expenditures

Operating revenues for the fiscal year ended March 31, 1999 were $207.7 million, compared to $205.8 million in the previous year, an increase of $1.9 million (.9%). The revenue increase is largely due to growth in ridership and fare increases in Vancouver and Victoria.

Total expenditures for the year, including depreciation and amortization on fixed assets, was $704.4 million, an increase of 5.5% over the $667.8 million in 1997/98.

Operation and maintenance expenditures increased by 4.2% to $386.8 million mainly due to higher service hours, wages and general price increases. Administration expenditures increased by 4.9% to $57.5 million.

Net income from insurance operation from BC Transit Captive Insurance Company Inc. was $0.5 million, a decrease of $0.1 million from 1997/98.

Transit Funding

Contributions from the province increased by $4.8 million to $292.3 million and contributions from the municipalities increased by $10.3 million to $153.1 million in 1998/99.

Capital Expenditures

Capital expenditures for the year were $60.6 million, relating to new buses and equipment purchases, building expansion and other projects.

Report of Management

Year Ended March 31, 1999

The management and Board of Directors of BC Transit are responsible for the consolidated financial statements appearing in this annual report. The financial statements were prepared in accordance with accounting principles appropriate for BC Transit and fairly represent the transactions and financial position of the corporation.

BC Transit's system of internal controls is designed to provide reasonable assurance that assets are safeguarded, transactions are properly recorded and executed in accordance with management's authorization, financial information is reliable and ethics codes are observed. Inherent to the concept of reasonable assurance is the recognition that there are limits in all internal control systems and that system costs should not exceed the expected benefits. The system includes the selection, training and development of qualified personnel, organizational division of responsibilities,

appropriate delegation of authority and formal written company policies and procedures including the conflict of interest policy of all BC Transit officers and employees. The system is reviewed and evaluated by a comprehensive internal audit program.

The Audit and Finance Committee of the Board of Directors meets regularly with representatives of the external auditors, the internal auditors and management to discuss their audit work, accounting policy views, adequacy of internal accounting controls and the quality of financial reporting.

Establishment of Greater Vancouver Transit Authority ("GVTA")

In accordance with the funding and governance negotiations and the GVTA Act, certain assets and liabilities were transferred to the GVTA on March 31, 1999.

A detailed methodology had been developed by BC Transit with respect to the assets and liabilities which were transferred to the GVTA. This methodology was reviewed and approved by the provincial and GVTA negotiators and audited by the Office of the Comptroller General.

The financial statements include the operating results of the transferred assets to the date of the transfer and also reflect the audited adjustments to asset and liability values to reflect the transfer. Accordingly, the March 31, 1999 balance sheet excludes the transferred amounts.

Auditors' Report

To the Members of the Board of Directors of British Columbia Transit

We have audited the consolidated balance sheet of British Columbia Transit as at March 31, 1999 and the consolidated statements of revenue and expenditures and accumulated surplus, contributed surplus, cash flows and changes in regional transit funds for the year then ended. These consolidated financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the company as at March 31, 1999 and the results of its operations and its cash flows for the year then ended in accordance with generally accepted accounting principles.

KPMG LLP

KPMG
Chartered Accountants
Victoria, Canada
June 24, 1999

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Consolidated Balance Sheet

March 31, 1999
with comparative figures for 1998

	MARCH 31 1999 ($000)	1998 ($000)
ASSETS		
CURRENT ASSETS:		
Cash	$ –	$ 7,235
Short-term investment	–	2,177
Accounts receivable		
Province of British Columbia	–	31,912
Municipalities	5,762	20,000
Sundry	11,311	11,947
Parts inventory	1,817	11,432
Prepaid expenditures	835	4,518
	19,725	89,221
Debt sinking funds (note 3)	9,365	330,879
Deposits on capital projects in progress (note 4)	4,800	14,192
Long-term investments	–	14,389
Fixed assets (note 4)	1,128,711	1,732,625
Investment in BC Transit		
Captive Insurance Company Inc. (note 5)	20	–
	$ 1,162,621	$ 2,181,306

Consolidated Balance Sheet

March 31, 1999
with comparative figures for 1998

	MARCH 31	
	1999	1998
	($000)	($000)
LIABILITIES and EQUITY		
CURRENT LIABILITIES:		
Bank indebtedness	$ 572	$ –
Accounts payable and accrued liabilities	13,461	89,027
Notes payable (note 6)	12,499	85,047
Current portion of long-term debt	6,863	11,557
Current obligations under capital leases	–	12,923
	33,395	198,554
Long-term debt (note 7)	50,109	1,677,542
Deferred capital contributions (note 8)	992,610	–
Obligations under capital leases	–	120,061
	1,076,114	1,996,157
EQUITY		
Contributed surplus	84,610	167,008
Surplus	1,897	18,141
Commitments and contingencies (note 12)	86,507	185,149
	$ 1,162,621	$ 2,181,306

See accompanying notes to consolidated financial statements.

Approved on behalf of the Board:

George Chen, Chair of BC Transit:

Judy Brownoff, Director:

Consolidated Statement of Revenue & Expenditures and Accumulated Surplus

March 31, 1999
with comparative figures for 1998

	Year Ended March 31	
	1999	1998
Revenue:	($000)	($000)
Operations	$ 207,732	$ 205,782
Investments	44,618	27,331
	252,350	233,113
Expenditures:		
Operations and maintenance	386,840	371,089
Administration	57,451	54,749
Interest on long-term debt	145,027	151,029
Interest on obligations under capital leases	12,407	13,006
Other interest	6,990	2,936
Depreciation and amortization	85,441	64,700
Property leases and taxes	10,275	10,361
	704,431	667,870
Recoveries:		
Contributions from the Province of British Columbia	260,687	254,721
Contributions from municipalities – Vancouver	126,438	119,690
Contributions from municipalities – Victoria	13,250	10,899
Contributions from municipalities – other municipalities	13,452	12,233
Provincial grant – debt servicing assistance (note 3)	31,564	32,687
Amortization of contributed surplus to offset depreciation charged on contributed assets	3,720	3,527
	449,111	433,757
NET EXPENDITURE FROM TRANSIT OPERATIONS	(2,970)	(1,000)
Other:		
Loss on disposal of fixed assets	(2,801)	(566)
Net income from insurance operations	539	1,281
	(2,262)	715
Net revenue (deficit)	(5,232)	(285)
Accumulated surplus, beginning of year	18,141	18,426
Surplus transferred to GVTA	(512)	–
Accumulated surplus of BC Transit Captive Insurance Company Inc. (note 5)	(10,500)	–
ACCUMULATED SURPLUS, END OF YEAR	$ 1,897	$ 18,141

See accompanying notes to consolidated financial statements.

Consolidated Statement of Contributed Surplus

March 31, 1999
with comparative figures for 1998

	Year Ended March 31	
	1999	1998
	($000)	($000)
APPRAISAL INCREASE CREDITS:		
Balance, beginning of year	$ 147,824	$ 151,428
Amount transferred to consolidated statement of revenue and expenditures and accumulated surplus net revenue to offset depreciation charged on contributed assets	(3,720)	(3,527)
Adjustment (reduction) on disposition of contributed assets	(1,461)	423
Amortization of contributed inventory	(500)	(500)
	142,143	147,824
Other contributed surplus	19,184	19,184
Contributed surplus balance prior to allocation of appraisal increase to GVTA	161,327	167,008
Allocation of appraisal increase transferred to GVTA	(76,717)	–
BALANCE, END OF YEAR	$ 84,610	$ 167,008

See accompanying notes to consolidated financial statements.

Consolidated Statement of Cash Flows

March 31, 1999
with comparative figures for 1998

	Year Ended March 31	
	1999	1998
	($000)	($000)
CASH PROVIDED BY (USED FOR):		
OPERATIONS:		
Net revenue (deficit)	$ (5,232)	$ (285)
Items not involving cash:		
Depreciation and amortization	85,441	64,700
Amortization of bond discount	602	(4,562)
Amortization of contributed surplus	(3,720)	(3,527)
Loss on disposal of fixed assets	2,801	566
Changes in non-cash operating working capital	(6,694)	(31,337)
	73,198	25,555
FINANCING:		
Decrease in capital leases	(19,033)	(18,671)
Increase (decrease) in notes payable	128,562	(84,540)
Increase (decrease) in long-term debt	(65,000)	172,901
Increase in debt sinking funds	(61,367)	(25,451)
	(16,838)	44,239
INVESTMENTS:		
Deposit on capital projects in progress	6,161	1,447
MFA debt reserve deposits	(9,377)	–
Changes in accounts payable of capital projects	(266)	(3,084)
Short-term investments	(889)	3,837
Long-term investments	1,825	(4,452)
Proceeds from sale of fixed assets	5,569	256
Additions to fixed assets	(60,573)	(58,380)
	(57,550)	(60,376)
INCREASE (DECREASE) IN CASH	(1,190)	9,418
Cash, beginning of year	7,235	(2,183)
Cash transferred to GVTA	(6,617)	–
CASH (DEFICIENCY), END OF YEAR	$ (572)	$ 7,235

See accompanying notes to consolidated financial statements.

Statement of Changes in Regional Transit Funds

March 31, 1999
with comparative figures for 1998

	Year Ended March 31	
	1999	1998
	($000)	($000)
FUND BALANCE, BEGINNING OF YEAR	$ 2,238	$ 824
Revenue:		
Gas tax	7,768	6,891
Property tax	5,384	5,336
Interest earned	187	86
	13,339	12,313
	15,577	13,137
Contributions	(13,250)	(10,899)
FUND BALANCE, END OF YEAR	$ 2,327	$ 2,238
FUND BALANCE REPRESENTED BY:		
Cash & short term investment	$ 2,931	$ 2,900
Accounts receivable – Province of British Columbia	718	666
Payable to BC Transit	(1,322)	(1,328)
	$ 2,327	$ 2,238

The statement of changes in regional transit funds reflects only the BC Transit portion subsequent to the GVTA transfer.

See accompanying notes to consolidated financial statements.

Notes to Consolidated Financial Statements – Year Ended March 31, 1999

1. Purpose:

British Columbia Transit ("BC Transit") was established under the British Columbia Transit Act, as amended in 1982, to operate the urban transit systems in the Province of British Columbia. In 1999, BC Transit recovered 44.75% (1998 - 45.19%) of its expenditures from the Province of British Columbia with the balance from transit operations and municipalities.

In June 1998, the Greater Vancouver Transportation Authority ("GVTA") was established under the Greater Vancouver Transportation Authority Act. The GVTA will be responsible for the planning, funding, management and operation of an integrated regional transportation system for the Greater Vancouver Regional District. Effective March 31, 1999, the Greater Vancouver operation of BC Transit and the operations of BC Rapid Transit Company Ltd. ("BCRTC") and West Coast Express Ltd. ("WCE") were transferred to the GVTA. On March 31, 1999 all assets and liabilities of BC Transit that were located in the Greater Vancouver transportation service region or are associated with the provision of transportation services in that region, except those specified in Section 38(8)(a) of the Act, became the assets and liabilities of the GVTA. All the shares of the BCRTC and WCE that were held by the Province of British Columbia were also transferred to the GVTA on March 31, 1999.

In conjunction, effective March 31, 1999, 90% of BC Transit's investment in BC Transit Captive Insurance Company Inc. was transferred to the GVTA.

In accordance with the Vancouver and Victoria Regional Transit Commission regulations, BC Transit is responsible for the administration of all funds raised by certain tax levies. The financial position and changes during the year in the funds which were not transferred to the GVTA are set out in the statement of changes in regional transit funds.

2. Summary of Significant Accounting Policies:

The accompanying consolidated financial statements are prepared in accordance with generally accepted accounting principles appropriate for BC Transit. The significant accounting policies are set out hereunder:

(a) Basis of Presentation:

These consolidated financial statements include the accounts of BC Transit and BC Transit Captive Insurance Company Inc., which was formed to provide certain types of insurance coverage to BC Transit, WCE and BCRTC.

These accounts also include the operating costs and capital acquisitions for WCE and BCRTC, which carry out certain services on behalf of and are funded by BC Transit.

These consolidated financial statements are prepared as at and for the year ended March 31, 1999, immediately after the transfer of assets and liabilities to the GVTA as described in note 1. The net book value of the total assets transferred, including all vehicles, real property and equipment and the total debt being assumed by the GVTA was $744.9 million and $657.2 million respectively. The financial statements include the operating results of the transferred assets on a consolidated basis to the date of the transfer.

(b) Parts Inventory:

Parts inventory is valued at the lower of average cost and replacement value.

(c) Long-Term Investments:

Long-term investments, consisting of provincial government and Crown corporation bonds, are recorded at the lower of amortized cost or market, with any premium or discount on purchase being amortized over the term to maturity of each investment.

(d) Fixed assets:

(i) All fixed assets, except those noted in (ii), (iii) and (iv), are recorded at cost, including capitalized interest as described in note 2(e).

(ii) Fixed assets transferred from the Province of British Columbia are recorded at their appraised value. These appraisals were carried out at various dates between June 30, 1979 and August 18, 1987.

(iii) Fixed assets acquired from BC Hydro are recorded at their appraised value. These appraisals were carried out at various dates between March 1, 1980 and April 1, 1982.

(iv) Depreciation and amortization are provided on the basis that results in a matching of these charges with BC Transit's statutory power to recover the cost of the related assets. Contributed assets are not subject to recovery and are depreciated over their estimated useful lives. All assets are depreciated by the sinking fund method over a period not exceeding their estimated remaining useful lives.

(e) Capitalization of interest:
Interest, incurred in connection with capital acquisitions from the date of advance of funds until the assets are placed in service for transit purposes, is capitalized. Interest of $2.1 million (1998 - $.4 million) was capitalized during the year ended March 31, 1999.

(f) Amortization of bond discounts:
Bond discounts are amortized on a straight-line basis over the term of the debt.

(g) Amortization of contributed surplus:
Contributed surplus (appraisal increase credits) is being amortized and reflected in net revenue at an amount equal to the depreciation charged on those assets for which BC Transit does not have statutory power to obtain full recovery from operations.

(h) Deferred capital contributions:
Deferred capital contributions are recognized as revenue on the same basis as the related assets are amortized.

(i) Use of estimates:
The preparation of consolidated financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent asset and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenditures during the reported period. Significant areas requiring the use of management estimates relate to the determination of depreciation and amortization, accounts payable and accrued liabilities. Actual results could differ from the estimates. Adjustments, if any, are reflected in operations in the period of settlement.

3. Debt Sinking Funds:

Contributions to the sinking fund administered by BC Transit are made for all short-term debt obligations incurred to finance fixed assets in service. Investments held in the sinking funds, including interest earned, are used to repay the related debt at maturity.

Notes to Consolidated Financial Statements – Year Ended March 31, 1999

4. Fixed Assets:

	Carrying Value	Accumulated Depreciation and Amortization	1999 Net	1998 Net
	($000)	($000)	($000)	($000)
Land	$ 6,087	$ –	$ 6,087	$ 56,268
Land improvements	1,485	497	988	11,311
Buildings	18,866	2,528	16,338	74,909
Revenue vehicles	113,963	32,296	81,667	219,560
Revenue vehicles under capital leases	–	–	–	23,864
Equipment	4,270	2,833	1,437	36,302
SkyTrain	1,212,251	319,510	892,741	1,023,663
SkyTrain vehicles and equipment under capital lease	–	–	–	112,295
West Coast Express	128,848	3,696	125,152	130,156
Capital projects in progress	4,301	–	4,301	44,297
	$ 1,490,071	$ 361,360	$ 1,128,711	$ 1,732,625

At March 31, 1999, $16.0 million has been committed for capital projects in progress and BC Transit received funding totalling $4.8 million for approved capital projects in progress which is being held in interest-bearing deposits. These funds will be expended as payments come due during the 1999/2000 fiscal year.

5. Investment in BC Transit Captive Insurance Company Inc.:

Effective March 31, 1999, 90% of BC Transit's investment in BC Transit Captive Insurance Company Inc. was transferred to the GVTA. At March 31, 1999, BC Transit's remaining 10% interest in BC Transit Captive Insurance Company Inc. is reflected on the cost basis of accounting. The financial statements include the results of the transferred assets, on a consolidated basis, to the date of the transfer.

6. Notes Payable:

	1999	1998
	($000)	($000)
Commercial paper with the Province of British Columbia, 5.01% weighted average interest rate	$ 12,499	$ 85,047

7. Long-Term Debt – BC Transit:

	1999 ($000)	1998 ($000)
Sinking fund bonds, weighted average interest rate of 9.91% (1998 - 9.78%), maturing at various dates from 2000 to 2029, amortized from 4 to 20 years.	$ 22,900	$ 1,187,947
Sinking fund notes, weighted average interest rate of 4.85% (1998 - 7.65%), maturing in 2001, amortized for 3 years.	4,118	220,000
Sinking fund bonds under interest rate and currency conversion agreements, effective weighted average interest rate of 6.29% (1998 - 6.18%), maturing at various dates from 2000 to 2010, amortized from 4 to 12 years	30,171	294,800
	57,189	1,702,747
Less unamortized bond discount	217	13,648
	56,972	1,689,099
Less current portion	6,863	11,557
	$50,109	$ 1,677,542

Prior to the debt restructuring, the Province made grants of principal and interest payments on $275,000,000 of the long-term debt, representing approximately 50% of the SkyTrain guideway and station construction costs for the Vancouver-New Westminster phase. In 1999, these payments aggregated $31,564,000 (1998 - $32,687,000).

Sinking fund payments due in each of the next five years are approximately as follows ($000):

2000	$ 941
2001	$ 1,257
2002	$ 1,691
2003	$ 2,030
2004	$ 2,381

Notes to Consolidated Financial Statements — Year Ended March 31, 1999

8. Deferred Capital Contributions:

Deferred capital contributions include the unamortized portions of capital asset contributions. During the 1999 fiscal year, the Province has changed the method of providing capital funding to BC Transit. Loans for capital projects in the form of long-term debt have been replaced by prepaid capital advances from the Province. These prepaid capital advances are recorded by BC Transit as deferred capital contributions and are recognized as revenue on the same basis as the related assets are amortized in order to match the revenue with the expense incurred through amortization of the capital assets acquired with the funds.

Outstanding long-term debt obligations to the Province have been released through legislation. Sinking Fund investments established for repayment of the long-term debt have been transferred to the Province.

The deferred capital contribution amount relating to debt was established, based on the methodology used in determining the transfer of assets to the GVTA.

9. Related Party Transactions:

During the year, BC Transit paid $40,330,000 (1998 - $39,138,000) to reimburse BCRTC for all the operating expenditures incurred.

BC Transit also paid $14,655,000 (1998 - $14,548,000) to reimburse WCE for the net operating expenditures incurred.

During the period, BC Transit Captive Insurance Company Inc. declared a dividend of $2,970,000 (1998 - $1,000,000) to BC Transit. This amount reduced contributions from the Province of British Columbia and the municipalities.

10. Pension Plan:

BC Transit and its employees contribute to the Public Service Pension Plan together with other public service employers in accordance with the Pension (Public Service) Act. The Superannuation Commission of the Province of British Columbia administers the Plan, including the payment of pension benefits, on behalf of the employers and the employees to whom the Act applies. Details of the Plan are provided in the Public Accounts of British Columbia. The long-term funding of the Plan is based on the level contribution method. Using this method, employer contribution rates are set so that in combination with member contributions, they will fully pay for benefits earned by the typical new entrants to the Plan and will maintain the Plan's unfunded accrual liability (UAL) for funding purposes as a constant percentage of employer payroll. The actuary does not attribute portions of the UAL to individual employers. Contributions to the Plan are expensed in the year when payments are made.

The Public Service Pension Plan has more that 57,000 active contributors from 28 employers. The actuarial valuation report for March 31, 1996 disclosed an actuarial surplus in the Plan of $222 million. The next valuation will be undertaken as at March 31, 1999.

11. Comparative figures:

Certain 1998 comparative figures has been reclassified to conform with the financial statement presentation adopted for the current year.

12. Commitments and contingencies:

(a) Operating lease payments:

Effective December 31, 1998, BC Transit entered into a five year operating lease agreement with NJC Lease Company Ltd. for 14 ~~D~~40 lowfloor buses for use in Victoria and Kelowna.

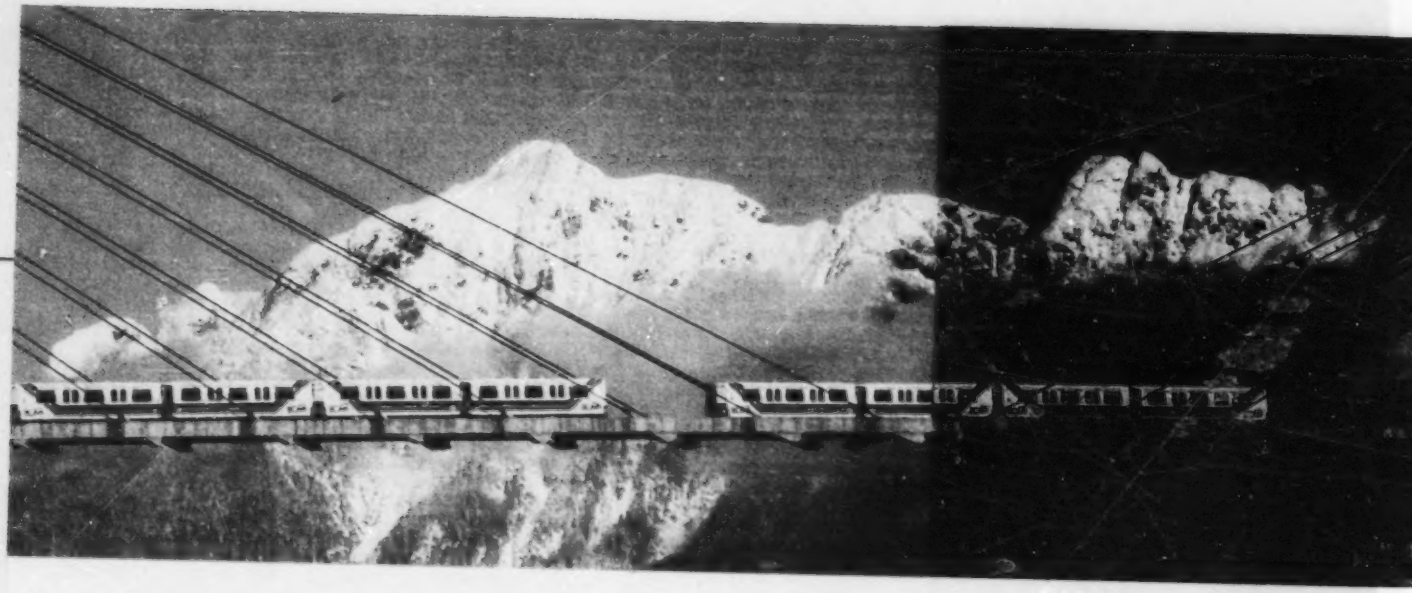
The future minimum operating lease payments are as follows ($000):

2000	$	430
2001	$	430
2002	$	430
2003	$	430
2004	$	36

(b) Uncertainty due to the Year 2000 Issue:

The Year 2000 Issue arises because many computerized systems use two digits rather than four to identify a year. Date-sensitive systems may recognize the year 2000 as 1900 or some other date, resulting in errors when information using year 2000 dates is processed. In addition, similar problems may arise in some systems which use certain dates in 1999 to represent something other than a date. The effects of the Year 2000 Issue may be experienced before, on, or after January 1, 2000, and, if not addressed, the impact on operations and financial reporting may range from minor errors to significant systems failure which could affect an entity's ability to conduct normal business operations. It is not possible to be certain that all aspects of the Year 2000 Issue affecting BC Transit, including those related to the efforts of customers, suppliers, or other third parties, will be fully resolved.

Notes to Consolidated Financial Statements – Year Ended March 31, 1999



Head Office

Gateway Station Tower

13401 - 108th Avenue

Surrey, British Columbia

Canada V3T 5T4

(to March 31, 1999)

Head Office

BC Transit

520 Gorge Road

Box 610

Victoria, British Columbia

Canada V8W 2P3

(after April 1, 2000)

Telephone: 250-385-2551

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